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Message Text

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ACTION ARA-20

INFO OCT-01 AF-10 EUR-25 EA-11 NEA-14 ISO-00 ARAE-00 SSO-00

NSCE-00 INRE-00 USIE-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 EB-11 FEAE-00 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 AECE-00

FRB-02 PA-04 PRS-01 DRC-01 /214 W
---------- 087233
O R 111456Z JUL 74
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TO SECSTATE WASHDC IMMEDIATE 4623
INFO AMEMBASSY ABU DHABI
AMEMBASSY BEIRUT
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIMA
AMEMBASSY LONDON
AMEMBASSY PORT OF SPAIN
AMEMBASSY QUITO
AMEMBASSY TEHRAN
AMEMBASSY TRIPOLI
AMEMBASSY VIENNA
AMCONSUL DHAHRAN
USMISSION OECD PARIS

UNCLAS CARACAS 6373

E.O. 11652: N/A
TAGS: ENRG, VE
SUBJECT: VENEZUELAN GOVERNMENT REACTS TO BENNETT STATEMENT

REFS: A) CARACAS 6282; B) CARACAS 6334; C) CARACAS 6337
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SUMMARY: VENEZUELAN MINISTER OF MINES AND HYDROCARBONS VALENTIN HERNANDEZ ISSUED FORMAL REPLY TO BENNETT TESTIMONY AFTERNOON JULY 10, DEFENDING VENEZUELA'S SOVEREIGN RIGHT TO DIRECT ITS OWN PETROLEUM POLICY. END OF SUMMARY.

1. WITHOUT WAITING FOR COMPLETE TEXT OF UNDER-SECRETARY JACK BENNETT'S
TESTIMONY, MINISTER OF MINES AND HYDROCARBONS VALENTIN HERNANDEZ ISSUED
COMMUNIQUE ON AFTERNOON JULY 10, MAKING FOLLOWING POINTS. VENEZUELAN DECISION TO ADJUST EXPORT PRICE OF LIGHT CRUDES ON JUNE 28 WAS MADE AFTER EXHAUSTIVE ANALYSIS OF INTERNATIONAL MARKET CONDITIONS. POLITICAL
BASIS FOR THIS ACTION WAS EXERCISE OF NATIONAL SOVEREIGNTY AND SAFE-GUARDING COUNTRY'S HIGHEST INTERESTS. MINISTRY OVER PAST FEW MONTHS HAS INSTRUCTED OIL CONCESSIONAIRES AS WELL AS STATE PETROLEUM COMPANY (CVP) TO CUT-BACK PRODUCTION, WHICH TO DATE HAS RESULTED IN DECREASE IN PRODUCTION OF APPROXIMATELY 200,000 B/D. THIS REDUCTION WAS ADOPTED
ON BASIS OF TECHNICAL CONSERVATION CRITERIA, WHICH IS ONE OF BASIC PRINCIPLES OF VENEZUELAN OIL POLICY.

2. MINISTER QUOTED BENNETT'S STATEMENT TO EFFECT THAT ANY FURTHER CUTBACKS IN OIL PRODUCTION BY ANY GOVERNMENT AT THIS TIME WOULD BE CLEARLY REGARDED BY U.S. AND OTHER CONSUMING NATIONS AS COUNTER-PRODUCTIVE MEASURE; HE ALSO QUOTED STATEMENT THAT "THERE ARE THOSE IN PRODUCING COUNTRIES URGING THEIR GOVERNMENTS TO MAKE A NEW, SHARP CUT-BACK IN PRODUCTION TO TRY TO MAINTAIN TODAY'S HIGH PRICES OR EVEN TO TRY TO INCREASE THEM AGAIN," RESPONDING TO THESE STATEMENTS MINISTER HERNANDEZ SAID THAT IT IS OPPORTUNE TIME TO REITERATE THAT IN
AFFIXING OIL EXPORT PRICES AND ESTABLISHING PRODUCTION PROGRAMS AND VOLUMES, VENEZUELA IS GUIDED SOLELY BY NATIONAL INTERESTS AND RELIES FIRMLY ON AN EXERCISE OF VENEZUELAN STATE SOVEREIGNTY. PROTECTION OF NATURAL NON-RENEWABLE RESOURCES IS A RIGHT THAT HAS BEEN REAFFIRMED ON SEVERAL OCCASIONS BY THE UN.

3. MINISTERHERNANDEZ FURTHER STATED THAT THE RIGHT TO PROTECT RESOURCES HAS NEVER KEPT VENEZUELA FROM FULFILLING OR BEING WILLING TO
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FULFILL ITS INTERNATIONAL COMMITMENTS. MINISTER CITED PRESIDENT PEREZ'
STATEMENT OF MAY 16, WHEN REVERSION COMMITTEE WAS ESTABLISHED, THAT HIS GOVERNMENT WAS ASSUMING RESPONSIBILITY FOR MANAGING OIL FOR BENEFIT OF VENEZUELANS AND THE INTERNATIONAL COMMUNITY WITHOUT OVER-LOOKING OBLIGATIONS THAT HAD BEEN UNDERTAKEN.

4. FOREIGN MINISTER SCHACHT RESPONDED BRIEFLY TO PRESS INQUIRIES BY

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SAYING THAT BENNETT DECLARATION WAS A PERSONAL OPINION WHICH VENEZUELA
DOES NOT HAVE TO ACCEPT.SCHACHTSTATED THAT AMBASSADOR MCCLINTOCK HAD DELIVERED A NOTE TO THE FOREIGN MINISTRY REFLECTING THE PRE-OCCUPATION OF U.S. GOVERNMENT WITH PRICING POLICIES OF PETROLEUM PRODUCING COUNTRIES. ASKED IF AMBASSADOR'S NOTE COINCIDED WITH BENNETT STATEMENT, SCHACHT RESPONDED IN NEGATIVE. FOLLOWING A CONVERSATION WITH PRESIDENT PEREZ MORNING JUNE 9, FOREIGN MINISTER SCHACHT TOLD PRESS THAT VENEZUELAN GOVERNMENT INTENDS TO MAINTAIN EXCELLENT RELATIONS WITH U.S. AND THAT HE DOES NOT BELIEVE BENNETT STATEMENT WAS INTENDED TO DIMINISH GOOD RELATIONS.

5. STATEMENTS ATTACKING BENNETT STATEMENT WERE PUBLISHED BY VARIOUS POLITICAL PARTIES AND CARRIED IN PRESS. NATIONALISTIC PRIVATE BUSINESS ASSOCIATION, PRO-VENEZUELA, ALSO ATTACKED BENNETT STATEMENT. WE ANTICIPATE PRESS CRITICISM TO CONTINUE FOR SEVERAL DAYS UNTIL ALL SECTORS HAVE BEEN HEARD FROM. UNOFFICIAL TRANSLATION OF MINISTER'S STATEMENT FOLLOWS IN SEPTEL.
MCCLINTOCK

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Disposition Comment:
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TAGS: ENRG, VE
To: SECSTATE WASHDC ABU DHABI BEIRUT JAKARTA JIDDA KUWAIT LAGOS LIMA
Type: TE
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